



CHARTERED ACCOUNTANTS™
AUSTRALIA • NEW ZEALAND

21 April 2017

Mr Ken Siong
Technical Director
International Ethics Standards Board for Accountants

Online Submission via: Ken.Siong@ethicsboard.org

Dear Mr Siong

Submission on Exposure Drafts - Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice (Part C) and Proposed Revisions Pertaining to Safeguards in the Code – Phase 2 and Related Conforming Amendments (Safeguards Phase 2)

Thank you for providing us with the opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) proposed changes to the Code of Ethics for Professional Accountants (the Code).

Chartered Accountants ANZ is supportive of the proposed amendments to the Code. We have responded to your questions in respect of both exposure drafts in the attached Appendices.

Information about Chartered Accountants Australia and New Zealand can be found in Appendix 3 to this letter. If you have any questions regarding this submission, please contact Kristen Wydell (General Manager Professional Standards) via email; kristen.wydell@charteredaccountantsanz.com

Yours sincerely

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Appendix 1

Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice (Part C)

Do respondents agree with:

- (a) The proposed applicability paragraphs; and*
- (b) The proposed location of those paragraphs in Sections 120 and 300 of the proposed restructured Code.*

If not, why not?

We agree with the proposed amendments to the Code.

We also recommend that the application material at proposed paragraphs 120.4 A1 and 300.5 A1 of the Code include additional guidance for when Part 2 of the Code is applicable to a professional accountant in public practice (PAPP). For example when a PAPP,

- has line management responsibilities in their firm,
- has pressure applied on them by more senior members of their firm to achieve specific outcomes, or
- is dealing with third parties as part of their role for example banks, taxation authorities or regulators.

Appendix 2

Proposed Revisions Pertaining to Safeguards in the Code – Phase 2 and Related Conforming Amendments (Safeguards Phase 2)

We agree with the proposed amendments to the Code.

Section 600, Provision of Non-Assurance Services to an Audit Client

Question 1: Do respondents support the proposals in Section 600? If not, why not? In particular, do respondents agree with the proposal to extend the scope of the prohibition on recruiting services as described in paragraph 25(h) above to all audit client entities? If not, please explain why.

1. We are supportive of the proposals in Section 600, including the extension of prohibiting recruitment services to all audit clients. However, we have specific comments on several matters contained within the proposals which need to be considered by the board:

- (a) We would like to bring an observation to the IESBA in relation to the last bullet point in paragraph 600.4 A3. This bullet point says
“Factors that are relevant in evaluating the level of any threats created by providing a non assurance service to an audit client include:...
- *Whether the audit client is a public interest entity. For example, providing a non assurance service to an audit client that is a public interest entity might be perceived to result in a higher level of a threat.”*

We believe that the threat to independence is the same for all types of entities. We acknowledge that the reputational damage is ordinarily greater for a public interest entity but do not believe the threat to independence is driven by the type of entity.

- (b) Paragraph 600.8 and the equivalent paragraph 950.6 require that the firm or network firm (the firm) ensures that the client’s management performs specific tasks and activities. While we believe that it is appropriate for the firm to obtain acknowledgement of management’s specific responsibilities when entering into an engagement, the firm does not have the power to ensure that management subsequently performs those tasks and activities. If the firm had the power to ensure this occurred, it is likely they would not be independent of the client as it would require exercising management power. We recommend that these paragraphs be reworded in terms of the firm obtaining an acknowledgment from management of their responsibilities or that the professional accountant is required to understand management’s actions, processes or controls.
- (c) Paragraph 609.6. Our members were supportive of extending the prohibition of recruitment services as these types of services would represent a threat to perceived independence.
- (d) Paragraph 604.7 A2 contains the use of the term ‘tax professional’ which may have different meanings in different jurisdictions where certain types of tax services require specific registrations or qualifications. It would be more appropriate to use a term such as “professional with appropriate tax expertise” or similar.

Section 950, Provision of Non-Assurance Services to an Assurance Client

Question 2: Do respondents support the proposals in Section 950? If not, why not

We are supportive of the proposals in Section 950, subject to our comment in 1(b) above in relation to paragraph R950.6 (and 600.8).

We also encourage the board to consider the consistency of drafting across the sections of the revised Code. As an example R950.6 begins “When providing services...” whereas paragraph R600.8 begins “To avoid the risk of assuming management’s responsibilities when providing non-assurance services...” Also, paragraph 950.7 A1 is positioned differently within Section 950 than is 600.6 A1 (the equivalent paragraph in Section 600).

Examples of Safeguards

Question 3: Do respondents have suggestions for other actions that might be safeguards in the NAS and other sections of the Code that would meet the revised description of a safeguard?

The main safeguards included in the proposed Code are to segregate work between the audit team and other partners and employees of the firm or to have another person not connected to the audit engagement review the team’s work. These types of safeguards are effective but are difficult for small and medium practices. We encourage IESBA to identify and include safeguards that are more practicable for small and medium practices.

Conforming Amendments Arising from the Safeguards Project

Question 4: Do respondents agree with proposed conforming amendments set out in:
(a) Chapter 2 of this document?
(b) The grey text in Chapters 2 - 5 of Structure ED-2?

We agree with the proposed conforming amendments.

We note that consultation on threats and safeguards has been removed as a safeguard. We agree that consultation is not a safeguard in itself, however it is a vital part of the process of identifying and evaluating threats and allows the professional accountant to obtain a third party’s perspective on the matter being considered. We encourage the board to include appropriate references to the use of consultation in sections 120 and 300.

Question 5: Respondents are asked for any comments on any other matters that are relevant to Phase 2 of the Safeguards project.

We have no additional comments to provide.

Appendix 3

About us

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.

